

## Message Text

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PAGE 01 CARACA 05631 192115Z  
ACTION ARA-14

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FM AMEMBASSY CARACAS  
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C O N F I D E N T I A L CARACAS 5631

E.O. 11652: GDS  
TAGS: ENRG BENC VE  
SUBJECT: MAJOR PROJECTS: CARDON AND PUERTO LA CRUZ REFINERIES

REF: 77 CARACAS 7348

1. OFFICIALS OF MENEVEN (EX-GULF) HAVE ADVISED THE EMBASSY THAT MENEVEN ENGINEERS IN COOPERATION WITH GEOMAN, A DIVISION OF GULF OIL, ARE PUTTING THE FINAL TOUCHES ON THE BASIC ENGINEERING FOR A \$200 MILLION NATURAL GAS LIQUIDS EXTRACTION AND SEPARATION SYSTEM IN THE ANACO-PUERTO LA CRUZ AREA. THE SYSTEM IS INTENDED TO EXTRACT 100,000 TO 150,000 BARRELS PER DAY OF NATURAL GAS LIQUIDS FROM GAS ALREADY BEING PRODUCED IN EASTERN VENEZUELA. ALL THAT REMAINS TO BE DONE ARE THE FINAL ECONOMIC STUDIES. THESE SHOULD BE COMPLETED IN THE NEXT MONTH OR SO AFTER WHICH THE PROJECT WILL BE FORMALLY PRESENTED FOR APPROVAL TO THE MENEVEN BOARD, THEN TO PETROLEOS DE VENEZUELA, AND FINALLY TO THE MINISTRY OF ENERGY AND MINES. THEY EXPECT THIS APPROVAL PROCESS TO MOVE RELATIVELY QUICKLY. ACCORDING TO ONE OFFICIAL, MENEVEN, AGAIN WITH THE HELP OF GEOMAN HAS PRESELECTED EIGHT INTERNATIONAL CONTRACTING FIRMS, INCLUDING FIVE OR SIX US BASED FIRMS WHICH WILL BE ASKED TO BID ON THE DETAILED DESIGN AND CONSTRUCTION OF THE PROJECT. HE INDICATED THAT SOME EUROPEAN FIRMS HAD BEEN EXCLUDED FROM THE LIST BECAUSE THEY WERE TOO CLOSELY TIED TO THEIR HOME GOVERNMENT, AND THUS THEIR INCLUSION WOULD LEAVE MENEVEN OPEN TO EXCESSIVE GOVERNMENT TO GOVERNMENT  
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PRESSURE.

2. THE GAS EXTRACTION AND SEPARATION PROJECT IS CONSIDERED TO BE A NECESSARY FIRST STEP TO THE MAJOR UPGRADING OF MENEVEN'S PUERTO LA CRUZ REFINERY WHICH IS NOW UNDER STUDY. A GULF OFFICIAL HAS CONFIRMED TO US THAT GEOMAN IS PROVIDING THAT BASIC DESIGN AND ENGINEERING FOR BOTH THE GAS AND THE REFINERY PROJECTS, BUT

EXPLAINED THAT GEOMAN HAS NOT YET SIGNED A CONTRACT FOR EITHER PROJECT, PRIMARILY BECAUSE OF DIFFICULTIES IN FINDING A PAYMENT FORMULA WHICH WILL OVERCOME THE UNCERTAINTIES CREATED BY A RECENT CHANGE IN THE VENEZUELAN TAX LAWS WITH RESPECT TO THE FINAL TAX RATE TO BE APPLIED TO SUCH CONTRACTS. HE SEEMED CONFIDENT, HOWEVER, THAT A SATISFACTORY FORMULA WOULD BE DEVELOPED AND THAT THE PROJECTS WOULD GO AHEAD UNDER GEOMAN DIRECTION.

3. WORK IS ALREADY UNDERWAY ON THE \$40 MILLION UPGRADING OF THE CATALYTIC CRACKER AT THE CARDON RIFINERY OF MARAVEN (EX-ROYAL DUTCH SHELL). BASIC DESIGN FOR THE PROJECT WAS INITIALLY ASSIGNED TO A SHELL SUBSIDIARY IN HOLLAND, WHICH REASSIGNED IT TO LUMMUS IN THE HAGUE. LUMMUS, US, WAS AWARDED THE CONSTRUCTION CONTRACT. MARAVEN IS PLANNING A NUMBER OF OTHER UPGRADING PROJECTS FOR CARDON OVER THE NEXT FEW YEARS, AND LUMMUS OFFICIALS BELIEVE THEY ALSO HAVE THE INSIDE TRACK ON THESE PROJECTS, IN PART BECAUSE LUMMUS HAS BEEN INVOLVED IN MOST OR ALL MAJOR PROJECTS AT CARDON SINCE IT WAS BUILT IN 1949.  
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## Message Attributes

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**Decaption Date:** 01 jan 1960  
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